



CITY OF HAYWARD

AGENDA REPORT

AGENDA DATE 07/08/03

AGENDA ITEM 6B

WORK SESSION ITEM _____

TO: Redevelopment Agency Board Members

FROM: Director of Community and Economic Development

SUBJECT: Consideration of a Disposition and Development Agreement with The Olson Company for Development of Housing on Site Four

RECOMMENDATION:

It is recommended that the Redevelopment Agency Board adopt the attached resolution authorizing the Executive Director to execute a Disposition and Development Agreement (DDA) with The Olson Company for the housing development proposed on Site 4.

DISCUSSION:

Site 4 is the block bounded by C and D Streets, and Watkins and Atherton Streets in downtown Hayward. Over the past several years the Redevelopment Agency has assembled and cleared 17 of the 18 parcels on this block. The single parcel that is not under Agency ownership or possession is the residence located at 22756 Atherton Street. Therefore, that property is excluded from the project. The Agency has expended a total of approximately \$4.8 million in land assembly, relocation of pre-existing tenants, clearance and environmental remediation on the site to date. The funding was provided from the Agency's Low and Moderate Income Housing fund.

The Agency issued a Request for Proposals for housing development on Site 4 in May 2000, and The Olson Company submitted a proposal in response. The Olson Company is the developer building the City Walk project adjacent to the City Hall. The Agency has been in discussions with the Developer since that time, however negotiations became more focused in 2002 as site clearance got underway.

The Developer is proposing to build a 46-unit residential development, which consists of nine fourplex buildings, two triplex and two duplex buildings. The site plan and architecture is discussed in the companion agenda report regarding planning approvals, and was considered by Council prior to this item. It should be noted that the City Council has reviewed the CEQA findings for this project as part of the Site Plan Review and Tentative Map approvals.

THE PROPOSED DISPOSITION AND DEVELOPMENT AGREEMENT:

The proposed terms of the Agency's sale of the site would deed the site to the Developer for \$2 million, which amount would be paid on a pro-rata basis as each of the 46 units are sold. In addition, the City would collect payment of building and planning fees (except for certain fees collected on behalf of outside agencies) on a pro-rata basis as each unit is sold.

In addition to the \$2 million land purchase price, the Developer would split gross profit with the Agency after a base profit threshold of 9% of total sales revenue is reached. The amount owed to the Agency, if any, would be calculated after the last unit is sold.

The Developer anticipates building the project in two phases. It is expected that site work will be initiated in the fall of this year, and that the Phase I construction will begin by April 2004. The DDA contains Developer penalties should it fail to complete construction within specified periods of time. In the event that the first phase is not completed by December 30, 2004 and the second phase by May 30, 2005, the DDA requires the Developer to immediately pay the pro-rata purchase price and any outstanding fees for the units in each phase that have not received certificates of occupancy. Any outstanding land purchase price amounts and fees would be due as of July 30, 2005.

The Developer will sell 22 of the 46 units to qualifying moderate-income households at a price no greater than \$265,000 for 20 of the upper story "flats", and \$275,000 for the two larger triplex flats. The prices will be affordable to households earning 110% of the median income in the Alameda County area. The units will be deed restricted so that they remain affordable and occupied by subsequent moderate-income buyers for a period of 45 years. The remaining 24 units in the development would be sold at market rate prices. The Developer currently projects that the market rate units will sell in the range of \$420,000-\$430,000.

As previously noted, the Agency has already completed Phase II environmental testing and undertaken site remediation activities on the site. In the event the Developer finds additional site deficiencies, the DDA would provide a limited cost sharing formula for additional remediation work.

The Developer would also dedicate a buffer parcel surrounding the Heringer property to the Redevelopment Agency, which would give the Agency the ability to facilitate the integration of that property into the development at some point in the future.

Finally, the Developer will require its contractors to pay prevailing wages, and to comply with the City and Agency's policy regarding disadvantaged and woman-owned businesses. The Agency will cooperate with the Developer in seeking residential prevailing wage rate from the Department of Industrial Relations.

Staff is recommending that the Agency Board approve the DDA. While the Agency is selling its land to the Developer for less than the Agency's cost to assemble and clear the land, the

Developer is nonetheless paying fair market re-use value for this property at \$23.78 per square foot. The sale price also recognizes that nearly one-half of the units are to be sold at below market rate to be affordable to moderate income households. The Developer's proforma was reviewed by both staff and a consulting economist. The Agency's net land write down is the result of paying to assemble and clear a downtown redevelopment site that was previously improved with mix of uses, as well as the goal of designating almost one-half of the units for sale to moderate income households.

The proposed DDA was reviewed by the Hayward Redevelopment Advisory Committee at a special meeting on June 25, 2003. The Advisory Committee adopted a motion recommending approval of the project, while noting a concern regarding the need for open space in the downtown in proportion to the residential development that is occurring. Notice of this Joint Public Hearing was published in The Daily Review during the past two weeks, and a copy of Agency's Report Prepared Pursuant to Health and Safety Code Section 33433 and the proposed DDA have been available in the City Clerk's office for the same period.

Prepared by:

for Sylvia Ehrenthal

Maret Bartlett, Redevelopment Director

Recommended by:

Sylvia Ehrenthal

Sylvia Ehrenthal, Director of Community
and Economic Development

Approved by:

Jesús Armas

Jesús Armas, City Manager

Resolution

DRAFT

REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD

RESOLUTION NO. RA-03-__

Introduced by Agency Member _____

me
7/2/03

RESOLUTION FINDING THE PROJECT EXEMPT FROM CEQA REVIEW AND AUTHORIZING THE EXECUTIVE DIRECTOR OF THE REDEVELOPMENT AGENCY TO EXECUTE A DISPOSITION AND DEVELOPMENT AGREEMENT WITH THE OLSON COMPANY RELATING TO THE SALE AND DEVELOPMENT OF SITE 4

WHEREAS, the staff of the Redevelopment Agency of the City of Hayward ("Agency") has negotiated the terms of a Disposition and Development Agreement ("DDA") with The Olson Company, a California corporation, which provides for the sale and development of certain property that the Agency owns or is in possession of on the block located between C and D Streets, and Watkins and Atherton Streets in downtown Hayward. The site is referred to by the Agency as "Site 4;" and

WHEREAS, the proposed DDA and an agenda report concerning the terms of the proposed DDA, including the terms of sale for the Site 4 property and the summary report required by the Community Redevelopment Law ("Section 33433 Report"), has been made available for public inspection in accordance with Health and Safety Code section 33433; and

WHEREAS, the City Council held the July 8, 2003, public hearing and has considered the staff report describing the proposed project, the terms of the proposed DDA and the Reuse Appraisal, as well as other documents and public comments submitted at such hearing regarding the Reuse Appraisal and proposed DDA; and

WHEREAS, the project is categorically exempt from environmental review.

NOW, THEREFORE, BE IT RESOLVED by the City Council as follows:

1. The proposed development is within the scope of the development examined in the program EIR for the Downtown Hayward Redevelopment Plan. In addition, no significant or potentially significant impacts are expected as a result of the project and the project is considered a Class 32 Categorical Exemption (in-fill development), pursuant the California Environmental Quality Act, because (a) the project is consistent with the general plan designation and applicable general plan policies, as well as the with applicable the zoning designation and regulations; (b) the proposed project occurs within city limits on a site of less than 5 acres

substantially surrounded by urban uses; (c) the site has no value as habitat for endangered, rare or threatened species; and (d) approval of the project would not result in any significant effects to traffic, noise, air quality or water quality; and (e) the site can be adequately served by all required utilities and public services.

2. That it hereby determines that sale of the Agency-owned property on Site 4 to The Olson Company will assist in the elimination of blight in the Downtown Hayward Redevelopment Project area since the sale is for the purpose of enabling the development of such property in accordance with the terms of the proposed DDA, the General Plan, the Downtown Core Area Specific Plan, and Redevelopment Plan.
3. That it also determines, based on the Section 33433 Report, that the consideration set forth in the DDA is not less than the fair reuse value based on the uses, restrictions, and conditions set forth in the DDA and the Redevelopment Plan.
4. That the Executive Director of the Redevelopment Agency is authorized and directed to execute and administer on behalf of the Redevelopment Agency a DDA with The Olson Company, with substantially the same terms described in the agenda report presented to the City Council, and in such form which the Agency's General Counsel deems appropriate.

HAYWARD, CALIFORNIA _____, 2003

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
Secretary of the Redevelopment Agency of the
City of Hayward

APPROVED AS TO FORM:

General Counsel